

Message Text

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ORIGIN INR-10

INFO OCT-01 EA-12 ISO-00 CIAE-00 EB-08 /031 R

DRAFTED BY INR/REC : DHVANCE
APPROVED BY INR/REC : DHCOHN
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FM SECSTATE WASHDC
TO AMEMBASSY CANBERRA

UNCLAS STATE 193390

E.O. 11652: N/A

TAGS: AS, ENRG, PINR

SUBJECT: ONA/JIO QUERY ON REAL PRICE OF OIL

REFERENCE: CANABERRA 5901

1. THE METHODOLOGY USED TO DERIVE THE FIGURES IN
TABLE 1 WAS EXACTLY AS STATED IN THE TEXT, I.E.,
WE DIVIDED THE NOMINAL PRICE OF SAUDI LIGHT (API 34)
(OFFICIAL SELLING PRICE) BY THE IMF EXPORT PRICE
SERIES FOR INDUSTRIALIZED COUNTRIES AND INDEXED THE
PRICES SO THAT THIRD QUARTER 1973 EQUALLED 100.
THE PROBLEM MAY BE THAT ONA/JIO IS USING A DIFFERENT
CRUDE PRICE SERIES.

2. THE SAUDI LIGHT (API 34) OFFICIAL SELLING
PRICE SERIES WE USED WAS :

QUARTER	PRICE	QUARTER	PRICE
1973 IV (START)	2.60	1976 I	11.51
(END)	4.82	II	11.51

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III 11.51
IV 11.51

QUARTER	PRICE	QUARTER	PRICE
1974 I	10.83		
II	10.83		
III	10.46	1977 I	12.09

IV 10.46 II 12.09
III 12.70

1975 I 10.46
II 10.46
III 10.46
IV 11.51

3. WE DO NOT UNDERSTAND THE PROCEDURE QUOTED IN PARAGRAPH TWO REFTEL. IF THE CRUDE OIL PRICE WAS DEFLATED BY THE IMF EXPORT PRICE IT SHOULD NOT AGAIN BE COMPARED TO THAT SAME SERIES. IN FACT, IF CRUDE PRICES AND INDUSTRIAL EXPORT PRICES ROSE BY EXACTLY THE SAME AMOUNT, THE DEFLATED CRUDE PRICE INDEX WOULD BE EQUAL TO 100 BY DEFINITION.

4. WE WOULD BE VERY INTERESTED IN LEARNING WHAT CRUDE OIL PRICE THE ONA/JIO USED. BY OUR CALCULATIONS, WITH THE THIRD QUARTER 1977 SAUDI PRICE AT DOLLARS 12.70 PER BARREL, IN ORDER FOR THE INDEX OF CRUDE PRICE (UNDEFLATED) TO BE 137.74 (WITH FIRST QUARTER 1974 100)THE FIRST QUARTER 1974 NOMINAL OIL PRICE WOULD HAVE TO HAVE BEEN DOLLARS 9.22 PER BARREL, AND IN ORDER FOR THE DEFLATED CRUDE PRICE INDEX TO HAVE BEEN 137.74 THE FIRST QUARTER 1974 NOMINAL OIL PRICE WOULD HAVE TO HAVE BEEN DOLLARS 6.72 PER BARREL. VANCE
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TAGS: ENRG, PINR, AS
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